

UBER

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Uber's head of insurance.

Uber has often flouted local laws in its drive for growth. It has been found in violation of transportation laws in countries such as South Korea and France. In the U.S., it defied California regulators by putting self-driving cars on San Francisco streets last year without proper permits, and it remains beset by a litany of legal challenges and a corporate culture stung by sexual-harassment allegations.

Meanwhile, Uber lost over \$3 billion last year. It retreated from costly battles with ride-hailing rivals in two big markets, China and Russia, and shut down its service in Macau due to pressure from regulators.

In Singapore, the plan Mr. Kalanick authorized to buy and rent out cars backfired, and Uber's slow response to the recall appears to have jeopardized the safety of drivers and passengers. A spokesman for Mr. Kalanick, who resigned in June, said the former CEO declined to comment.

Asian beachhead

Singapore in 2013 was Uber's first Asian city, a beachhead for expansion. Uber however struggled to find enough drivers, documents show. The cost of owning a car there is among the highest in the world.

Uber created a unit, Lion City Rentals Pte Ltd., or LCR, in February 2015 to rent Uber-owned cars to drivers for about \$50 a day. Buying a fleet of cars was new for Uber, whose business model relies on not owning assets.

Uber filled parking lots with shipments of 200 used cars a month, one former manager said, and by early 2016 had exhausted much of the local supply of used-car dealers.

Mr. Kalanick approved a plan to borrow about 800 million Singapore dollars (about \$590 million) from banks including Goldman Sachs Group Inc. to buy thousands of new cars and rent them out in Singapore, said people with knowledge of the plan.

Rather than buy most new vehicles from authorized Honda and Toyota Motor Corp. dealers, Uber's LCR unit bought new sedans and SUVs from more than a dozen auto importers, the emails show. These small dealers operate in the gray market—a legal channel outside manufacturers' authorized networks—where safety, service and legal contracts are difficult to enforce. The Singapore team calculated it would be able to buy cars for 12% less

than at authorized Honda dealers, according to the emails.

Uber is suing one such dealer, Singapore-based Sunrita Pte Ltd., claiming it failed to deliver a shipment of cars valued at more than \$50 million. A judge in July dismissed Uber's request that Sunrita be subject to judicial management. A lawyer for Sunrita, Sivakumar Murugaiyan, said the dealer wasn't contractually bound to deliver the cars by a certain deadline. "As such, LCR were not creditors as regards the undelivered cars," he said.

Uber assured drivers that the cars they rented from LCR were in "perfect running condition," according to a rental agreement from 2016 reviewed by the Journal.

Honda's recall

The company had already bought some new Vezels, according to an internal document, when Honda issued a recall for gasoline-powered models on April 4, 2016, advising owners to get them serviced as soon as possible. The issue was an electrical component, designed to shut off the engine when the car is idle, which Honda said could overheat.

An internal Uber report shows that two days later, Uber bought 100 Vezels from Sunrita. On May 5, Sunrita sent Uber notices of the recall, estimating it would replace the affected parts by August's end, documents show.

Over the following eight months, Uber bought thousands of cars from Sunrita and other dealers, including 1,065 additional new Vezels with the faulty electrical part, emailed records show. The cars weren't fixed as of January 2017, emails show.

Sunrita hadn't fixed the cars it sold Uber as of the end of August 2016, citing a shortage of replacement parts in emails to Uber. Uber periodically sent emails asking Sunrita to speed up that process. It continued to rent faulty cars to drivers, emails show. An Uber spokeswoman said Sunrita hasn't provided replacement parts.

Sunrita's lawyer said Uber's LCR unit "requested Sunrita to procure replacement parts from their suppliers at Sunrita's costs. Sunrita duly did so and provided the replacement parts to LCR when these parts became available."

By this January, all of Uber's still-defective Vezels were rented to drivers, emails show.

On Jan. 11, Uber driver Mr. Koh picked up a passenger at 1:30 p.m. and drove 19 minutes, the accident report says. "Upon reaching the location," Mr. Koh is quoted as saying, "the passenger alighted. Subsequently I smelled some smoke in the interior."

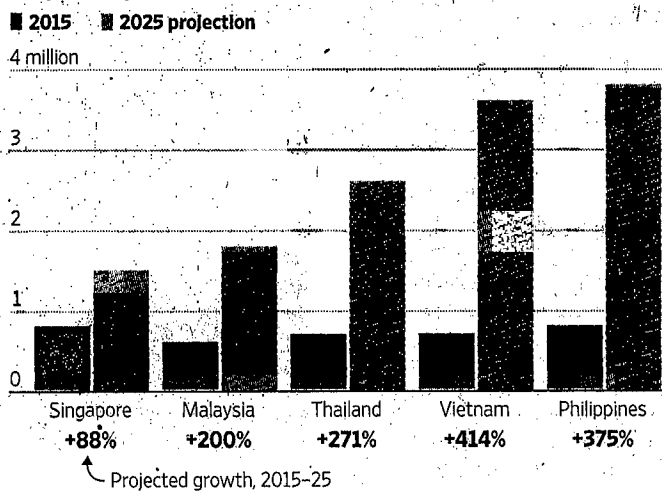


Inside Uber driver Koh Seng Tian's Honda Vezel, as shown in the accident report. Mr. Koh wasn't hurt.

Hotbed of Growth

Southeast Asia is one of the fastest-growing markets for Uber and its competitors.

People using a ride-hailing service at least once a month



THE WALL STREET JOURNAL

The accident report shows photos of Mr. Koh's Vezel with its burned dashboard and a broken windshield.

News of the fire rippled through Uber's Singapore office after its insurance provider said it wouldn't cover the damage because of the known recall, emails show. Word reached Uber's San Francisco executives two days later, emails show.

Uber's lawyers in Singapore began assessing the legal liability, including possibly violating

The episode adds to a list of crises at Uber under ex-CEO Travis Kalanick's watch.

driver contracts for supplying faulty cars and failing to immediately inform the Land Transport Authority about the defective cars, emails show. "There is clearly a large safety/responsible actor/brand integrity/PR issue" for Uber, an internal report read.

Some of Uber's managers urged taking the defective cars off the road, a plan that Michael Brown, general manager of the Asia Pacific region, said would help avoid "unnecessary risk," according to an email he sent to colleagues in Singapore on Jan. 13.

Warren Tseng, Uber's Singapore general manager, replied in an email that the plan would cost the company about 1.4 million Singapore dollars a week (about \$1 million) in driver wages, rental fees and parking costs. "Asking drivers to give up their keys with no suggested fix will send panic alarm bells to the mass market," he wrote in an email to Mr. Brown and others.

Messrs. Tseng and Brown declined to comment, referring inquiries to Uber's public relations department. The Uber spokesman declined to comment on their emails.

Another Singapore manager, Chan Park, supported Mr. Tseng, emailing that leaving cars on the road "feels like low risk," and: "The recall happened nine months ago," according to a review of the

email. Mr. Park didn't respond to inquiries. The Uber spokesman declined to comment on the email.

Uber opted to leave the cars on the road and wait for replacement parts, documents show. Meanwhile, Uber asked drivers to bring cars to repair shops to disable the faulty part, a stopgap measure managers described in emails as a "hack" not authorized by Honda, but one they believed would lower risk. Uber also planned to get its repair effort approved by Singapore authorities.

Top San Francisco executives were informed of the plan Jan. 14, including General Counsel Salle Yoo, insurance and regulatory chief Curtis Scott and global compliance chief Joseph Spiegler, according to the emails and some of the former managers. The executives didn't respond to inquiries. Uber said they declined to comment.

The Uber spokesman said the company quickly notified affected drivers, asking them to disable the part and make appointments to replace it when parts became available.

Four days after the fire, Uber texted affected drivers that their Honda Vezel required "immediate precautionary servicing" and needed to be seen that week, according to a review of the messages. It directed them to a website that informed them there was a recall but didn't mention the overheating and fire dangers Honda spelled out in its advisory.

'Hush-hush affair'

Alexander Yudhistira, a 31-year-old driver who had rented a defective Vezel from Uber since April 2016, said the company didn't make clear to him why it needed urgent servicing. "The recall was done in a hush-hush affair," said Mr. Yudhistira, who is no longer an Uber driver. "Drivers weren't told about the real issue behind the Vezel."

Honda, in emails to Uber reviewed by the Journal, said it wasn't liable for the gray-market vehicles and declined to help Uber with the repairs or acknowledge whether disabling the part improved safety. Uber in emails acknowledged Honda didn't have a legal duty to do repairs.

A Honda spokesman, asked about the cars Uber bought from Sunrita, said that "In Singapore, with parallel imported cars, the importer must handle the recall," referring to gray-market dealers. He said he couldn't comment on steps Uber took to disable the faulty part because he wasn't aware of the technical details.

Uber's repair process, beginning in January, continued at

least several months, according to internal progress reports.

Seeking to limit negative publicity, Uber's communications team in Singapore prepared an information packet including the recall's details and responses to media questions. "The recall was announced in April 2016. Why is LCR only aware/taking action now?" was one question. Uber intended to blame the delay on the importers who didn't provide replacement parts, a review of the packet shows.

Renting out cars with known safety defects became illegal in the U.S. in 2015. U.S. companies aren't bound by American auto-safety laws in other countries.

The Uber spokesman said that, after the fire, the company notified the Land Transport Authority, which approved its plan to fix the cars. In an internal report, Uber said the LTA failed to adequately maintain a list of recalled vehicles and check it against new cars coming in the country. The LTA didn't respond to requests for comment.

In the wake of the Vezel fire, Uber said, Singapore managers improved tracking of auto-maker recalls, posted job ads for automotive-safety experts and stopped buying cars from unauthorized importers. "We've introduced robust protocols and hired three dedicated experts in-house at LCR whose sole job is to ensure we are fully responsive to safety recalls," said the Uber spokesman. "Since the beginning of the year, we've proactively responded to six vehicle recalls and will continue to do so to protect the safety of everyone who uses Uber."

Uber has over the past two years expanded its rental-car operation, buying a small number of vehicles in India and Vietnam, people familiar with the expansion said. It also leases cars to drivers in 24 U.S. cities, holding titles in a trust rather than on its balance sheet as in Singapore.

At February's end, Aik Chung Goh, an Uber associate general manager in Singapore, invited staff to a celebration to reward everyone who helped the company get through "the Vezel snafu." The email invitation, which called for dinner, a massage and "other shenanigans," joked that transportation "might be in a Vezel." Uber said Mr. Goh declined to comment.

The week of the scheduled dinner, an Uber manager reported to his colleagues in an email that more than 65% of the defective Vezels still hadn't had the faulty parts replaced. The Uber spokesman said all the Vezels have now been fixed.

—Jake Maxwell Watts, P.R. Venkat and Greg Bensinger contributed to this article.